



Southern Power Distribution Company of Telangana Limited

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From
The Chief General Manager (RAC),
TSSPDCL,
Corporate Office,
Mint Compound,
Hyderabad.

To
The Secretary,
TSERC, 11-4-660,
5th Floor,
Singareni Bhavan,
Red Hills, Hyderabad.

Lr. No.CGM(RAC)/SE(RAC)/DE(RAC)/F.A/89/2/D.No. 728 /23 Dt: 17-02.2023.

Sir,

Sub: TSSPDCL – O.P.No. 4 of 2023 - Responses to the Objections raised on the petition filed on Annual Performance Review of Distribution Business for FY 2021-22 – Submission - Reg.

* * *

In compliance with the regulation no. 1 of 2014, the TSDISCOMs have filed the Annual Performance Report for Distribution Business for FY 2021-22 before the Hon'ble Commission through O.P.No. 4 for TSSPDCL.

The responses to the objections received by the objectors are herewith submitted before the Hon'ble commission.

Yours faithfully

Encl: As above.



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ok

SOUTHERN POWER DISTRIBUTION COMPANY OF TELANGANA LIMITED

RESPONSES TO OBJECTIONS / SUGGESTIONS

On

ANNUAL PERFORMANCE REVIEW (APR) for FY 2021-22

INDEX

S.No.	Name and Address of the Objector	Pg.No.
1.	Response to M. Venugopala Rao, Senior Journalist & Convener, Centre for Power Studies, H.No.1-100/MP/101, Monarch Prestige, Journalists' Colony, Serilingampally Mandal, Hyderabad – 500 032	3

1. Response to M. Venugopala Rao

S.No.	Summary of Objections / Suggestions	Response of the Licensee
	<p>With reference to the public notices dated 7.1.2023, inviting objections and suggestions on the proposals of the TSDISCOMs for review of their performance for the year 2021-22, am submitting the following points for the consideration of the Hon'ble Commission in the subject petitions:</p>	<p>No Comments</p>
<p>1.</p>	<p>In the subject petitions both the TS DISCOMs have made true-down claims for their distribution business for the year 2021-22 - Rs.723.08 crore by TSSPDCL and Rs.557.32 crore by TSNPDCL. At the same time, they have shown losses of Rs.626.80 crore and Rs.2441 crore, respectively, without explaining the reasons for incurring the losses. Claiming true-down, on the one hand, and showing losses, on the other, are mutually contradictory. Under what heads the DISCOMs have incurred losses and what do they propose to do with the same?</p>	<p>The Annual Performance Report (Distribution Business) for FY 2021-22 consists of the Particulars/Items related to the Distribution Business only viz., O & M Expenses, RoCE, Depreciation etc., It doesn't contain the particulars/items relating to Power Purchase and Transmission costs which covers a major component of costs in the Financials of the TSSPDCL and the true-up arrived between the approved and actual Power Purchase Costs are explained in the Power Purchase Ture-up petitions filed by the TSSPDCLs.</p> <p>The Loss projected in the Audited Financial Accounts is arrived by considering each and every component viz., Costs & Revenues of the TSSPDCL transacted during FY 2021-22.</p> <p>The major reasons for true-down in the APR for FY 2021-22 is due to the extention of superannuation age of the Employees which holds a major true-down gap of Rs. 685.32 out of total true-down gap of Rs.723.08 crores in TSSPDCL.</p>

2.	<p>They have explained that, since they have incurred losses for the said year, there is no need to pay income tax.</p>	<p>The Losses depicted in the Financials of TSSPDCL is based on the Audited Accounts only and the item wise analysis of loss incurred is provided in the Audited financial Reports and the petitions filed by the TSSPDCL.</p> <p>Moreover, the tariff approved in the Retail Supply Tariff Order for FY 2018-19 was retained till FY 2021-22 but in the said duration, all the costs incurred by TS Discoms in terms of Power purchase cost, Transmission and Distribution cost etc. have increased significantly, leading to a constant increasing of revenue gap. Covid Pandemic and also subsequent second wave has highly impacted the finances of Discoms leading to the loss of Rs. 626.80 crores for TSSPDCL.</p> <p>Hence, TSSPDCL has not paid income tax for FY 2021-22 as they have incurred financial loss for the year.</p>
3.	<p>SPDCL has shown investment capitalized lesser by Rs.492.64 crore - R.1450.89 crore against approved Rs.1942.53 crore - and NPDCL has shown the same lesser by Rs.997 crore - Rs.448 crore against Rs.1445 crore approved - for the year 2021-22. As a result, they have shown regulated rate base lesser by Rs.1249.25 crore by TSPDCL (Rs.5405.57 crore against the approved Rs.6654.81 crore) and lesser by Rs.1299.78 crore (Rs.2972.56 crore against the approved Rs.4272.34 crore) by TSNPDCL for the year 2021-22. As a result, the DISCOMs have shown expenditures lesser than what were approved, except administration and general expenditures. The DISCOMs have failed to explain the reasons for their failure to incur investment expenditure for approved works and the impact thereof. Did the DISCOMs fail to incur the approved expenditure because of the financial crisis they have been facing? To what extent did the DISCOMs fail to implement approved works and what has been</p>	<p>Due to the unforeseen factors, impact of the Covid pandemic and subsequent Second wave which are beyond the control of TSSPDCL in the FY 2021-22, the TSSPDCL has not takenup any major schemes involving major financial investments.</p> <p>Hence, the investment capitalized by TSSPDCL is lower than the amount approved by Hon'ble Commission. Further, it is to submit that there is an amount of Rs. 1,087.92 crores is existing in Capital Work in Progress (CWIP) of TSSPDCL which will be capitalized on completion of the said works.</p>

	<p>the impact thereof on their distribution business during the said year? Or, is it that the DISCOMs overstated the need for taking up works and investments required for the FY 2021-22? Or, is it that they did not take up works approved for reasons of reduction in estimated load growth in agriculture, lift irrigation schemes, etc., for the year 2021-22? The reduction in their expenditures, except A&G expenditure, is relative and when compared to investment capitalized and RRB, as a percentage of investments made, the expenditures are relatively higher. They should be subjected to prudence check as per applicable regulations. In other words, there may be scope for further surplus to be trued down.</p>	
4.	<p>That the DISCOMs have made claims for true-down, in the face of their failure to achieve the approved targets in terms of investments capitalized and RRB, shows that they had collected distribution charges approved in the MYT order as per the originally proposed and approved investments. In other words, they had collected excess distribution charges relative to their actual investments capitalized and RRB. The MYT system shows deficiency or lack of scope for redetermining distribution charges as a part and parcel of review of annual performance of the DISCOMs by the Hon'ble Commission. The deficiencies of the MYT system are also evident from the fact that it does not provide opportunity for redetermining distribution charges for the remaining years of the control period concerned, based on review of performance of the utilities for a particular financial year and ongoing trends. The more glaring deficiency of the MYT system is that it does not provide for true-up/true-down based on review of performance of the utility for a particular financial year, even while the utility making claims for the same and the Hon'ble Commission determining permissible claims. For true-up amount, the utilities are claiming carrying costs till the same is allowed as pass through by the Commission after</p>	<p>The item wise reasons for the True-down for the Annual Performance Report (Distribution Business) for FY 2021-22 are explained in the petition filed.</p> <p>The Distribution Business MYT order passed by the Hon'ble Commission based on the projections made in Distribution Business filings for the 4th control period with an assumption that normal circumstances will prevail.</p> <p>The unforeseen and uncontrollable factors/situations raised due to Covid Pandemic, the TSSPDCL has not initiated any new Schemes during FY 2021-22 and difference of expenditure incurred on Repairs & Maintenance of the Distribution business is (-) Rs.21.08 crores for TSSPDCL only and the major difference in the Employee cost is due to the increase of the Retirement age of employees. Due to this there is a significant reduction in actuarial valuation of payments of superannuations and this accrued expenditure need to be disbursed within 3 years.</p>

	<p>completion of the control period concerned and final determination, thereby imposing avoidable burden on the consumers, but no interest is being paid to the consumers for excess payment paid by them which crops in the form of true-down claim till the same is allowed as pass through after completion of the control period concerned and final determination by the Commission. All these, among other points which we had submitted to the Hon’ble Commission on earlier occasions, underline need for reviewing and modifying the MYT regulations in a rational way.</p>	<p>The details of the difference between approved and actuals with respect to the Operation & Maintenance costs are tabulated as under.</p> <table border="1" data-bbox="1499 305 2413 604"> <thead> <tr> <th colspan="4">Operation & Maintenance Expenses (Net of Expenses Capitalised)</th> </tr> <tr> <th>Particulars</th> <th>Approved</th> <th>Actuals</th> <th>Devaiitons</th> </tr> </thead> <tbody> <tr> <td>Employee Cost</td> <td>2680.28</td> <td>1994.96</td> <td>-685.32</td> </tr> <tr> <td>Admin & General Expenses</td> <td>178.44</td> <td>156.33</td> <td>-22.11</td> </tr> <tr> <td>Repairs & Maintenance</td> <td>177.52</td> <td>156.44</td> <td>-21.08</td> </tr> <tr> <td>Net O&M Expenses</td> <td>3036.24</td> <td>2307.73</td> <td>-728.51</td> </tr> </tbody> </table> <p>From the above table it is evident that the TSSPDCL is preparing the projections based on the MYT framework and are rational.</p>	Operation & Maintenance Expenses (Net of Expenses Capitalised)				Particulars	Approved	Actuals	Devaiitons	Employee Cost	2680.28	1994.96	-685.32	Admin & General Expenses	178.44	156.33	-22.11	Repairs & Maintenance	177.52	156.44	-21.08	Net O&M Expenses	3036.24	2307.73	-728.51
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5.	<p>I request the Hon’ble Commission to examine the above-mentioned points, among others, and take appropriate decisions.</p> <p>I request the Hon’ble Commission to provide me an opportunity to make further submissions during the public hearing on the subject petitions, after receiving and studying responses of the utilities.</p>	No Comments																								

Regd post



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Monarch Prestige,
Journalists' Colony,
Serilingampally Mandal,
Hyderabad-500032

Lr. No.CGM(RAC)/SE(RAC)/DE(RAC)/F.A/89/2/D.No. 724/23 Dt: 17-02.2023.

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